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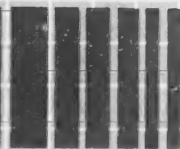
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THE 1986

ANAGEMENT REPORT



**For
Hardware Stores**





National Retail Hardware Association

Comprised of twenty-one regional and state hardware associations and Canada

August 31, 1986

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To Retailers Serving Do-It-Yourself Consumers:

In recent years the Do-It-Yourself industry has experienced a proliferation of store units unparalleled in the history of hard goods retailing.

Today's competitive arena demands a higher degree of management skill and merchandising expertise of the retailer who plans to hold or expand his share of a growing market.

Nothing is more critical in retail management than an accurate analysis of operating costs, margins, and financial ratios to indicate the relative strengths and weaknesses of an individual retail operation. That is the purpose of this industry-wide compilation of financial operations data. It can be an invaluable tool in your process of analysis and future planning.

Compare your operating results with those reported by hundreds of other retailers to determine those areas which must be strengthened or more strictly controlled to produce the results necessary to permit your business to prosper and grow during this critical period.

If you submitted your financial data for this study, you have received a confidential computer analysis comparing your results to the average of all reporting stores in your category. If not, please plan to supply us with your results next year. All individual store data is strictly confidential.

We are indebted to all retailers who provided input data to make this study possible, and we hope you will use it to improve your future operating results.

Very truly yours,

RICHARD H. LAMBERT
Managing Director

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National
Retail Hardware
Association

Prepared By:

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Introduction

The Management Report

The 1986 Management Report presents financial operating data for retail hardware operations. The Report is designed to fulfill several objectives:

- To assess financial performance of retail hardware stores in 1985
- To provide comparative financial data to enable retailers to measure their performance against industry averages
- To provide a frame of reference for profit planning enabling hardware retailers to continually improve performance levels.

Additionally, the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail hardware industry.

Four Major Sections

The Management Report is divided into four major sections: Historical Trends for 1981 through 1985; The Strategic Profit Model; Average Operating Results for 1985; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Statistics provide income statement and balance sheet ratios for the current year and the four previous Management Reports. This section also includes statistics on individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

Departmental Information is based on the percent of stores handling major departments found in retail hardware stores. The percent of net sales, sales floor and inventory are outlined both for handling firms only and for an average store. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

Type of Store

Many factors influence a retail hardware store's cost of doing business. Therefore, Report data are presented by various store characteristics in order to make meaningful comparisons. Information contained in Average Operating Results is presented for the following store characteristics:

- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores

Methodology

The Management Report is made possible only through the cooperation of the retail hardware men and women who provide us with detailed information on their operations. Mail questionnaires were sent to hardware store operators in February, 1986. Nine hundred and one usable returns were received by June 15, 1986 in time for inclusion in this year's Report.

All survey forms were edited for completeness by NRHA's Marketing Research Staff. Forms were coded for computer processing and all individual firm identification removed. The data was keypunched by a service bureau and then processed by NRHA's data processing department.

As thanks for their participation, each hardware store operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographic area, and store location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of retailers. Studies which are available in addition to The Management Report for Hardware Stores are The Bottom Line for Home Centers and The Profit Report for DIY Lumber Outlets.

For Assistance

Assistance and aid in interpreting The 1986 Management Report may be obtained from your regional hardware association or the National Retail Hardware Association.

Historical Trends

Income Statement Data	ALL HARDWARE STORES FISCAL YEAR				
	1985	1984	1983	1982	1981
Net Sales Volume	\$645,939	\$676,017	\$567,212	\$545,194	\$515,032
Gross Sales	102.13%	102.14%	102.19%	102.33%	102.04%
Less: Total Deductions	2.13	2.14	2.19	2.33	2.04
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	65.69	67.00	65.66	65.55	65.00
Margin Before Purchase Rebate or Patronage Dividend	34.31	33.00	34.34	34.45	35.00
Purchase Rebate or Patronage Dividend	1.05	1.04	1.14	1.15	—
Margin After Purchase Rebate or Patronage Dividend	35.36	34.04	35.48	35.60	35.00
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	4.43	4.93	5.58	5.58	5.27
Salaries/Wages — Other Employees	11.69	11.01	11.60	11.55	11.62
Federal and State Payroll Taxes	1.58	1.39	1.34	1.29	1.22
Group Insurance	.66	.66	.70	.61	.54
Benefit Plans	.39	.43	.47	.40	.39
Total Payroll and Other Employee Expense	18.75	18.42	19.69	19.43	19.04
Occupancy Expense					
Heat, Light, Power, Water	1.13	1.17	1.19	1.21	1.12
Building Repairs and Maintenance	.16	.25	.31	.15	.25
Rent or Ownership in Real Estate**	3.85	3.53	3.76	3.72	3.62
Total Occupancy Expense	5.14	4.95	5.26	5.08	4.99
Other Costs of Doing Business					
Advertising and Promotion	2.53	2.28	2.38	2.30	2.30
Insurance (Other than Real Estate or Group)	.72	.64	.71	.80	.86
Taxes (Other than Real Estate and Payroll)	.43	.31	.33	.38	.33
Interest (Other than Real Estate)	1.40	1.53	1.42	1.73	1.59
Depreciation (Other than Real Estate)	.98	.94	.88	.84	.69
All Other Expenses	3.88	3.57	3.59	3.66	3.42
Total Other Costs of Doing Business	9.94	9.27	9.31	9.71	9.19
Total Operating Expenses	33.83	32.64	34.26	34.22	33.22
Operating Profit or Loss	1.53	1.40	1.22	1.38	1.78
Other Income	1.55	1.50	1.51	1.43	1.53
Net Operating Profit or Loss (Before Income Taxes)	3.08	2.90	2.73	2.81	3.31
Financial Performance					
Profit on Investment	12.10%	11.08%	9.76%	10.57%	12.26%
Active Owner's Return	29.50%	29.28%	29.73%	31.56%	29.42%
Current Asset Ratio	3.44x	3.49x	3.52x	3.55x	3.43x
Quick Asset Ratio	1.00x	1.03x	1.01x	.99x	.95x
Total Debt to Tangible Net Worth	93.19%	93.57%	85.75%	89.64%	90.37%
Stock Turn Times	2.49x	2.59x	2.40x	2.43x	2.39x
Sales to Inventory Ratio	3.79x	3.87x	3.66x	3.70x	3.67x
Average Inventory per Sq. Ft. Sales Area	\$29.82	\$13.14	\$27.23	\$26.00	\$26.71
Net Sales to Accounts Receivable	20.65x	18.49x	19.58x	21.43x	20.87x
Net Sales to Total Assets	2.03x	1.98x	1.92x	1.99x	1.95x
Net Sales to Net Worth	3.92x	3.83x	3.58x	3.76x	3.71x
Net Sales to Net Working Capital	3.76x	3.75x	3.60x	3.63x	3.66x
Other Operating Data					
Credit Sales — % of Total Gross Sales	28.02%	31.86%	31.57%	26.74%	34.05%
Consumer Sales — % of Total Gross Sales	76.73%	78.13%	81.70%	83.17%	88.62%
Selling Area — Square Feet	6,177	6,161	6,109	6,274	5,766
Sales Per Square Foot — Selling Area	\$106.76	\$111.73	\$92.84	\$86.90	\$89.32
Total Area — Square Feet	9,009	9,341	9,059	8,915	8,644
Sales Per Square Foot — Total Area	\$73.58	\$74.05	\$62.62	\$61.15	\$59.58
Sales Per Person Employed	\$69,108	\$61,530	\$61,196	\$60,825	\$59,628
Sales Per Customer	\$9.83	\$11.01	\$9.59	\$8.83	\$9.08

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Historical Trends

Department	Percent of Net Sales**					Sales Per Square Foot				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	16.5%	17.5%	18.1%	19.7%	22.2%	\$ 99.85	\$110.73	\$101.24	\$99.54	\$93.72
Hand Tools*	7.0	6.7	6.8	5.2		100.26	121.24	84.41	77.88	
Power Tools & Accessories*	4.5	4.7	4.8	3.0	6.8	114.49	104.13	89.50	79.01	78.32
Plumbing, Heating & Cooling	13.5	12.8	12.7	11.0	11.5	111.53	137.57	91.84	89.38	91.70
Electrical Supplies	10.4	9.6	9.5	7.6	7.6	118.68	147.41	106.62	94.39	85.47
Paint & Home Decorating	11.0	11.2	11.1	11.8	11.1	114.19	124.60	101.10	86.92	92.69
Lumber	1.1	.7	1.0	.6	1.3	108.69	63.65	132.90	125.42	82.40
Building Materials	1.9	1.3	1.6	2.0	2.1	106.39	95.93	140.84	92.33	81.90
Lawn & Garden	11.0	10.2	9.5	11.3	10.2	115.59	115.65	81.95	92.66	88.08
Housewares	7.3	7.6	8.5	9.8	11.2	71.47	71.16	73.78	64.89	60.97
Automotive Supplies	2.8	2.8	2.5	2.6	2.2	102.15	146.70	100.72	85.07	81.65
Major Appliances & Home Entertainment	3.2	2.3	3.1	3.2	2.8	123.34	113.88	29.41	106.30	92.76
Sporting Goods & Outdoor Living	3.2	3.3	4.1	4.5	5.0	89.07	87.56	93.69	98.99	73.91
Miscellaneous Goods	6.6	9.8	6.7	7.7	6.0	109.58	127.92	78.37	97.90	65.60

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1985	1984	1983	1982	1981	1985	1984	1983	1982	1981
Hardware	3.2x	3.6x	3.4x	3.6x	3.6x	\$1.41	\$1.53	\$1.47	\$1.57	\$1.51
Hand Tools*	3.5	3.9	3.5	3.8		1.36	1.47	1.26	1.41	
Power Tools & Accessories*	3.8	3.2	3.5	3.8	2.9	1.14	.98	1.13	1.30	1.05
Plumbing, Heating & Cooling	4.6	4.5	4.0	3.9	3.9	1.98	1.85	1.65	1.63	1.64
Electrical Supplies	4.5	4.6	4.1	4.0	3.8	1.86	1.85	1.70	1.65	1.62
Paint & Home Decorating	4.6	4.2	5.3	3.9	4.4	1.79	1.57	2.04	1.55	1.81
Lumber	3.5	2.6	3.1	3.0	3.6	.99	.72	1.03	1.07	1.15
Building Materials	4.0	2.7	3.8	3.0	2.9	1.38	.89	1.39	1.18	1.09
Lawn & Garden	4.6	4.0	3.9	4.3	3.8	1.66	1.40	1.37	1.48	1.36
Housewares	3.6	3.0	2.9	3.1	3.0	1.25	1.03	.99	1.13	1.07
Automotive Supplies	3.9	4.4	4.1	3.8	3.6	1.39	1.50	1.33	1.38	1.28
Major Appliances & Home Entertainment	4.1	3.5	3.5	3.8	4.3	1.03	.88	.83	1.01	1.20
Sporting Goods & Outdoor Living	3.6	3.1	3.3	3.2	3.0	1.15	.96	1.10	1.10	.98
Miscellaneous Goods	4.0	4.6	3.5	4.2	3.9	1.41	1.57	1.30	1.45	1.52

*Hand and Power Tools were not reported as separate categories in 1981

**Average Hardware store.

Monthly Sales

Month	1985	1984	1983	1982	1981
January	6.5	6.4	6.0	6.6	6.4
February	5.8	5.8	5.5	5.8	5.8
March	7.1	6.8	6.7	7.2	7.0
April	8.9	8.4	8.2	8.6	8.9
May	9.8	9.9	9.6	10.0	9.4
June	9.3	10.1	9.7	9.1	9.6
July	8.9	8.7	9.0	8.9	8.9
August	8.7	8.5	8.6	8.2	8.4
September	8.0	8.1	8.2	8.1	7.9
October	8.5	8.4	8.4	8.5	8.6
November	8.6	8.6	8.6	8.4	8.1
December	9.9	10.3	11.5	10.6	11.0

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hardware retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth: profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

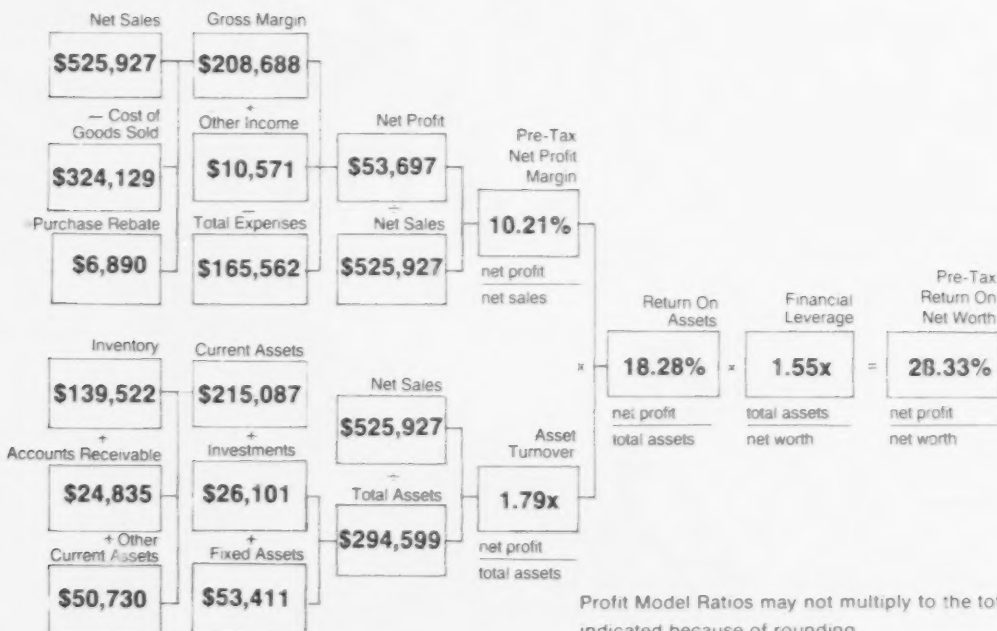
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Stores



Highlights

Type of Hardware Store	1985 Net Sales \$	Sales Increase Over 1984* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All Hardware Stores	645,939	+4.04	35.36	3.08	12.10	2.49
Low Profit	518,250	+1.83	32.26	-2.99	-16.49	2.20
High Profit	525,927	+5.32	39.68	10.21	28.35	2.37
Sales Volume Size						
Under \$250,000	163,782	-1.45	37.27	2.12	6.59	1.61
\$250,000 to \$499,999	359,768	+3.01	36.24	3.23	11.10	1.99
\$500,000 to \$749,999	611,365	+3.11	36.51	3.08	11.79	2.40
\$750,000 or more	1,370,871	+5.07	34.58	3.13	13.26	2.88
Sales Floor Size						
Under 3,000 Sq. Ft.	288,642	+3.14	36.54	3.87	13.10	2.33
3,000 to 4,999 Sq. Ft.	393,480	+4.60	36.27	3.89	13.32	2.27
5,000 to 9,999 Sq. Ft.	672,948	+4.07	35.89	2.95	11.11	2.47
10,000 Sq. Ft. or more	1,594,196	+4.41	34.14	2.91	12.79	2.79
Type of Ownership						
Proprietorship	278,571	+3.07	36.20	5.30	17.69	2.12
Partnership	345,701	+4.43	32.67	4.68	18.16	2.19
Corporation	754,057	+4.24	35.53	2.99	11.81	2.56
Trade Area Size						
M.S.A.-Central City	821,421	+6.95	39.73	3.90	19.71	3.02
M.S.A.-Suburban	699,477	+2.64	38.04	2.96	10.54	2.63
Cities-10,000-50,000	813,435	+3.22	35.03	2.85	10.71	2.50
Rural Areas Under 10,000	522,629	+3.97	33.72	3.14	11.79	2.35
Store Location: Part I						
Downtown	556,165	+2.46	35.30	2.91	9.92	2.35
Suburban	801,065	+6.31	36.33	3.55	15.55	2.66
Rural	605,091	+ .88	31.95	2.92	10.28	2.58
Store Location: Part II						
Shopping Center—						
Neighborhood	627,240	+5.82	37.64	3.93	19.08	2.45
Shopping Center—						
Community or Regional	587,415	+5.41	36.92	2.69	10.56	2.33
Free-Standing—						
No Stores Adjacent	830,549	+5.80	34.20	3.63	12.64	2.52
Free-Standing—						
Stores Nearby	615,034	+3.26	35.20	2.89	11.17	2.62
Number of Stores						
Single Store Business	643,803	+3.58	35.42	3.10	12.18	2.48
Multiple Store Business	662,491	+7.79	34.95	2.95	11.55	2.61

*As Reported by The Management Report Contributors

Monthly Sales

	%		%		%
January	6.5	May	9.8	September	8.0
February	5.8	June	9.3	October	8.5
March	7.1	July	8.9	November	8.6
April	8.9	August	8.7	December	9.9

All Stores

Income Statement Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Number of Stores	901	226	225
Net Sales Volume	\$645,939	\$518,250	\$525,927
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	+4.04%	+1.83%	+5.32%
Gross Sales	102.13%	102.29%	102.01%
Less: Total Deductions	2.13	2.29	2.01
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	65.69	68.81	61.63
Margin Before Purchase Rebate or Patronage Dividend	34.31	31.19	38.37
Purchase Rebate or Patronage Dividend	1.05	1.07	1.31
Margin After Purchase Rebate or Patronage Dividend	35.36	32.26	39.68
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	4.43	4.42	4.32
Salaries/Wages — Other Employees	11.69	11.22	11.40
Federal and State Payroll Taxes	1.58	2.36	1.33
Group Insurance	.66	.71	.65
Benefit Plans	.39	.33	.27
Total Payroll and Other Employee Expense	18.75	19.04	17.97
Occupancy Expense			
Heat, Light, Power, Water	1.13	1.37	1.07
Building Repairs and Maintenance	.16	.15	.19
Rent or Ownership in Real Estate**	3.85	4.61	3.21
Total Occupancy Expense	5.14	6.13	4.47
Other Costs of Doing Business			
Office Supplies and Postage	.45	.47	.49
Advertising and Promotion	2.53	2.81	2.15
Donations	.07	.05	.09
Telephone and Telegraph	.34	.36	.33
Bad Debts	.18	.13	.15
Credit Card Expense (Bank Charges)	.15	.11	.11
Delivery Expenses (Other than Wages)	.46	.56	.50
Leasing Expenses (Non-Occupancy)	.13	.13	.14
Insurance (Other than Real Estate and Group)	.72	.78	.67
Taxes (Other than Real Estate and Payroll)	.43	.29	.44
Interest (Other than Real Estate)	1.40	2.32	1.16
Depreciation (Other than Real Estate)	.98	1.18	.91
Store and Shop Supplies	.50	.64	.48
Legal and Accounting	.46	.57	.39
Computer Services and Expenses (Other than Wages)	.10	.06	.10
Dues and Subscriptions	.09	.10	.09
Travel, Buying, Entertainment	.26	.26	.25
Miscellaneous Services (Laundry, Disposal, Etc.)	.12	.14	.09
Unclassified Expenses	.57	.58	.50
Total Other Costs of Doing Business	9.94	11.54	9.04
Total Operating Expenses	33.83	36.71	31.48
Operating Profit or Loss	1.53	-4.45	8.20
Other Income	1.55	1.46	2.01
Net Operating Profit or Loss (Before Income Taxes)	3.08	-2.99	10.21

* As reported to us by The Management Report contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.

†† Defined as the top twenty-five percent of all contributors based on Net Profit.

All Stores

Balance Sheet Data	All Hardware Stores	Low† Profit Stores	High†† Profit Stores
Total Dollar Assets	\$318,171	\$270,628	\$294,599
	% of Total Assets		
Assets			
Cash On Hand and In Bank	6.26	3.74	9.05
Notes and Installment Contracts Receivable	3.40	2.87	4.38
Accounts Receivable	9.83	9.14	8.43
Merchandise Inventory (End of Year)	53.98	59.60	47.36
Other Current Assets	2.64	2.19	3.79
Total Current Assets	76.11	77.54	73.01
Stocks and Bonds	4.36	3.66	4.24
Real Estate (Not Used In Business)	.23	.15	.53
Other Investments	3.86	3.02	4.09
Total Investments	8.45	6.83	8.86
Land (Owned and Used In Business)	1.92	2.11	2.84
Buildings (Owned and Used in Business Less Depreciation)	5.67	5.41	7.92
Leasehold Improvements (Less Amortization Allowance)	.97	1.08	.91
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	4.61	4.93	4.06
Delivery Equipment (Owned and Used in Business Less Depreciation)	1.21	1.08	1.45
Other Fixed Assets	1.06	1.02	.95
Total Fixed Assets	15.44	15.63	18.13
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	11.06	12.55	7.19
Current Portion of Notes Payable	3.50	5.73	1.72
Accrued Payroll Taxes	.51	.57	.49
Accrued Other Taxes	1.34	1.23	1.21
Other Accrued Expenses	1.61	2.01	1.16
Other Current Liabilities	4.11	4.55	2.91
Total Current Liabilities	22.13	26.64	14.68
Notes Due Partners/Officers	6.03	9.22	4.41
Mortgage Payable	4.22	4.43	5.36
Long Term Debt	14.85	23.50	10.34
Other Long Term Liabilities	1.00	1.42	.90
Total Long Term Liabilities	26.10	38.57	21.01
Total Liabilities	48.23	65.21	35.69
Net Worth	51.77	34.79	64.31
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	12.10%	-16.49%	28.35%
Active Owner's Return	29.50%	7.84%	40.35%
Current Asset Ratio	3.44x	2.91x	4.97x
Quick Asset Ratio	1.00x	.67x	1.75x
Total Debt to Tangible Net Worth	93.19%	187.48%	55.52%
Stock Turn Times	2.49x	2.20x	2.37x
Sales to Inventory Ratio	3.79x	3.20x	3.85x
Average Inventory per Sq. Ft. Sales Area	\$29.82	\$27.69	\$29.73
Net Sales to Accounts Receivable	20.65x	20.94x	21.17x
Net Sales to Total Assets	2.03x	1.91x	1.79x
Net Sales to Net Worth	3.92x	5.51x	2.78x
Net Sales to Net Working Capital	3.76x	3.76x	3.06x
Other Operating Data			
Credit Sales — % of Total Gross Sales	28.02%	26.73%	29.85%
Consumer Sales — % of Total Gross Sales	76.73%	77.31%	74.33%
Selling Area — Square Feet	6,177	6,112	4,926
Sales Per Square Foot — Selling Area	\$106.76	\$81.10	\$109.74
Total Area — Square Feet	9,009	8,243	7,348
Sales Per Square Foot — Total Area	\$73.58	\$60.37	\$74.75
Sales Per Person Employed	\$69,108	\$63,321	\$66,213
Sales Per Customer	\$9.83	\$10.04	\$9.25

†Defined as the bottom twenty-five percent of all contributors based on Net Profit

††Defined as the top twenty-five percent of all contributors based on Net Profit

Sales Volume Size

Income Statement Data	Sales Under \$250,000	\$250,000 To \$499,999	\$500,000 To \$749,999	Sales \$750,000 Or More
Number of Stores	186	303	161	251
Net Sales Volume	\$163,782	\$359,768	\$611,365	\$1,370,871
Current Year's Sales vs. Previous Year (1985 vs. 1984)*	-1.45%	+3.01%	+3.11%	+5.07%
Gross Sales	102.02%	101.78%	102.02%	102.28%
Less: Total Deductions	2.02	1.78	2.02	2.28
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	63.74	64.88	64.55	66.44
Margin Before Purchase Rebate or Patronage Dividend	36.26	35.12	35.45	33.56
Purchase Rebate or Patronage Dividend	1.01	1.12	1.06	1.02
Margin After Purchase Rebate or Patronage Dividend	37.27	36.24	36.51	34.58
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.88	4.94	4.69	4.07
Salaries/Wages — Other Employees	9.58	11.03	12.14	11.96
Federal and State Payroll Taxes	1.28	1.35	1.48	1.71
Group Insurance	.58	.67	.65	.67
Benefit Plans	.10	.29	.21	.49
Total Payroll and Other Employee Expense	17.42	18.28	19.17	18.90
Occupancy Expense				
Heat, Light, Power, Water	1.94	1.42	1.22	.93
Building Repairs and Maintenance	.19	.17	.15	.16
Rent or Ownership in Real Estate**	4.80	4.13	4.13	3.59
Total Occupancy Expenses	6.93	5.72	5.50	4.68
Other Costs of Doing Business				
Office Supplies and Postage	.54	.54	.50	.40
Advertising and Promotion	2.48	2.56	2.50	2.53
Donations	.07	.09	.07	.06
Telephone and Telegraph	.56	.38	.35	.30
Bad Debts	.18	.17	.18	.18
Credit Card Expense (Bank Charges)	.13	.11	.14	.17
Delivery Expenses (Other than Wages)	.84	.57	.46	.40
Leasing Expenses (Non-Occupancy)	.14	.09	.16	.13
Insurance (Other than Real Estate and Group)	1.11	.85	.76	.63
Taxes (Other than Real Estate and Payroll)	.45	.42	.43	.43
Interest (Other than Real Estate)	2.31	1.86	1.31	1.20
Depreciation (Other than Real Estate)	1.15	1.02	1.02	.94
Store and Shop Supplies	.64	.55	.48	.48
Legal and Accounting	.80	.55	.48	.40
Computer Services and Expenses (Other than Wages)	.03	.06	.08	.12
Dues and Subscriptions	.13	.11	.09	.08
Travel, Buying, Entertainment	.22	.23	.23	.28
Miscellaneous Services (Laundry, Disposal, etc.)	.13	.15	.11	.12
Unclassified Expenses	.61	.57	.71	.53
Total Other Costs of Doing Business	12.52	10.88	10.06	9.36
Total Operating Expenses	36.87	34.88	34.73	32.96
Operating Profit or Loss	.40	1.36	1.78	1.62
Other Income	1.72	1.87	1.30	1.51
Net Operating Profit or Loss (Before Income Taxes)	2.12	3.23	3.08	3.13

*As reported to us by The Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Sales Volume Size

Balance Sheet Data	Sales Under \$250,000	\$250,000 To \$499,999	\$500,000 To \$749,999	Sales \$750,000 Or More
Total Dollar Assets	\$115,205	\$209,271	\$299,246	\$612,177
	% of Total Assets			
Assets				
Cash On Hand and In Bank	4.96	6.49	7.80	5.87
Notes and Installment Contracts Receivable	2.14	3.23	3.11	3.73
Accounts Receivable	5.83	8.45	8.97	11.23
Merchandise Inventory (End of Year)	56.99	56.37	55.66	52.03
Other Current Assets	1.27	2.11	1.82	3.31
Total Current Assets	71.19	76.65	77.36	76.17
Stocks and Bonds	3.66	4.57	5.32	4.07
Real Estate (Not Used in Business)	.98	.30	.17	.11
Other Investments	4.17	3.50	3.08	4.21
Total Investments	8.81	8.37	8.57	8.39
Land (Owned and Used in Business)	3.94	2.03	2.17	1.51
Buildings (Owned and Used in Bus. Less Depr.)	9.15	5.69	4.47	5.56
Leasehold Improvements (Less Amortization Allowance)	.53	.78	.60	1.23
Furniture, Fixtures, Equipment (Own. & Used in Bus.-Depr.)	4.34	3.97	4.42	4.98
Delivery Equipment (Owned and Used in Bus. Less Depr.)	1.13	1.29	1.01	1.25
Other Fixed Assets	.91	1.22	1.40	.91
Total Fixed Assets	20.00	14.98	14.07	15.44
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	7.35	8.32	11.49	12.58
Current Portion of Notes Payable	4.51	3.05	3.19	3.65
Accrued Payroll Taxes	.59	.63	.56	.44
Accrued Other Taxes	.93	1.07	1.26	1.53
Other Accrued Expenses	.76	1.08	1.16	2.09
Other Current Liabilities	6.10	3.95	2.71	4.35
Total Current Liabilities	20.24	18.10	20.37	24.64
Notes Due Partners/Officers	6.64	6.35	6.99	5.51
Mortgage Payable	8.40	5.47	4.85	2.93
Long Term Debt	16.93	18.67	13.63	13.36
Other Long Term Liabilities	2.04	1.42	.85	.73
Total Long Term Liabilities	34.01	31.91	26.32	22.53
Total Liabilities	54.25	50.01	46.69	47.17
Net Worth	45.75	49.99	53.31	52.83
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	6.59%	11.10%	11.79%	13.26%
Active Owner's Return	24.87%	28.07%	29.76%	30.53%
Current Asset Ratio	3.52x	4.24x	3.80x	3.09x
Quick Asset Ratio	.70x	1.12x	1.07x	.98x
Total Debt to Tangible Net Worth	118.54%	99.97%	87.63%	89.24%
Stock Turn Times	1.61x	1.99x	2.40x	2.88x
Sales to Inventory Ratio	2.53x	3.07x	3.73x	4.33x
Average Inventory per Sq. Ft. Sales Area	\$20.14	\$26.39	\$29.79	\$34.22
Net Sales to Accounts Receivable	24.39x	20.33x	22.78x	19.94x
Net Sales to Total Assets	1.42x	1.72x	2.04x	2.24x
Net Sales to Net Worth	3.11x	3.44x	3.83x	4.24x
Net Sales to Net Working Capital	2.79x	2.94x	3.58x	4.34x
Other Operating Data				
Credit Sales — % of Total Gross Sales	24.66%	30.25%	28.14%	27.57%
Consumer Sales — % of Total Gross Sales	80.48%	75.94%	75.51%	75.77%
Selling Area — Square Feet	3,443	4,699	6,036	9,907
Sales Per Square Foot — Selling Area	\$48.28	\$76.37	\$100.82	\$140.82
Total Area — Square Feet	4,754	6,873	9,114	14,256
Sales Per Square Foot — Total Area	\$35.07	\$52.39	\$67.40	\$96.65
Sales Per Person Employed	\$41,739	\$59,433	\$66,192	\$78,813
Sales Per Customer	\$8.18	\$7.41	\$9.24	\$11.42